

CIACA



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CONSTRUCTION BULLETIN

CONSTRUCTION INDUSTRY ADVISORY COUNCIL OF ALBERTA

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New labour rules for unionized construction

When the new Labour Relations Code is enacted, Alberta's construction industry will be subject to new collective bargaining legislation.

The new provisions require that registration of employers' organizations be on a provincewide basis. They also introduce special procedures for resolving collective bargaining impasses.

In order to provide a smooth transition from the registration provisions in the old Labour Relations Act and the Construction Industry Collective Bargaining Act (Bill 53) to those in the new Labour Relations Code, the Lieutenant-Governor in Council passed the Construction Industry Transitional Regulation which came into effect November 28, 1988.

The regulation divided the construction industry into four sectors: pipeline construction; roadbuilding and heavy construction; speciality construction (non-destructive testing and crane rental); and general construction. Registration certificates for particular trade jurisdictions could only be applied for and issued on a province-wide basis within a sector.

Regulation certificates that were previously in effect for pipeline construction, roadbuilding and heavy construction and non-destructive testing were automatically continued and replaced with new ones. No application for renewal or replacement was required.



The registration certificate for the Boilermaker Contractors' Association in the general construction sector was also automatically continued and replaced. The regulation also outlined procedures by which employer organizations could apply to become registered for the remaining trade jurisdictions in the general construction sector. To be considered under the special summary procedures set in the transition regulation, the application had to be made before December 15, 1988.

Applicant organizations in the general construction sector were required to already have a provincewide mandate or show evidence that they had a realistic plan for achieving it within the deadlines set by the Board.

Any party affected by an application for registration was given the right to object to the application by filing an objection with the Board. The Board was required to set a deadline for receiving objections and given authority to hold hearings, take representation votes

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Communications key to CIACA activities

Council was pleased with the decision of the Honorable Rick Orman, the new labour minister, to proceed with implementation of the new Labour Relations Code after a brief review.

At our meeting in September, the council continued work on developing regulations under the Code, achieving consensus on most matters, and relayed the concern to the minister that the Code should be implemented without further delay.

Council gave final consideration to the regulations at a meeting October 24. Unanimous approval was given to a set of regulations to be recommended to the minister. The final regulations approved by Cabinet essentially incorporated the CIACA recommendations.

We acknowledge the co-operation and co-ordination provided by Andy Sims, chairman of the Labour Relations Board, Deputy Minister Clint Mellors

and Assistant Deputy Minister John Mason in the development of the regulations.

At the October meeting, Council set up a committee of three to advise and consult with Alberta Labour staff in developing the education and communication facets of the Code.

A committee was also set up to review and report on health and safety issues in the industry, as well as a committee to review manpower and training problems and to follow up on Bill 35. This committee reported to our December 15 meeting its concerns about the forecasting of supply and demand for trades for the next few years, and its concerns about apprenticeship training. The committee will pursue these and other relevant matters over the next short while before making recommendations to the minister.

Council would like to meet with the Alberta Construction Association

to discuss its newly established Alberta Construction Safety Association.

The minister met with CIACA at its December meeting, congratulating the members about their work on developing regulations, and noted that Council's unanimous approval of them was the key to their approval by cabinet. Council members and the minister discussed a number of concerns of the industry, including the role of CIACA in the future.

Andy Gilliland of the National Research Council made a presentation about the Alberta Construction Technology Centre. Council also decided to re-submit to the new minister its joint proposal for a Cost Effective Construction Centre, dependent on the concurrence of the Construction Owners Association.

**Phil Walker,
Chairman**

Transitional regulation (continued from Page 1)

and make a determination in cases where there was an objection to a particular organization's application for registration.

Construction industry collective agreements that existed before the transition regulation were continued by the regulation. The Board was given authority to deal with any applications which might arise in the event of a conflict between a collective agreement continued by the regulation and one negotiated under the authority of a registration certificate issued under the regulation. Such an application may be made by the registered employers' organization, by any one of the trade unions named in the registration certificate, or by an affected employer.

Provision was made in the regulation for registration certificates issued by the old Labour Relations Act to continue during the transition phase until either specified deadlines had been exceeded or certain procedural requirements had been met. By the end of the transition period, all such certificates will no longer be in force.

Each new registration certificate issued under the regulation will give the registered employers' organization exclusive authority to bargain for all those employers with bargaining relationships with one or more of the trade unions listed in the registration certificate for work within the sector

and trade jurisdiction to which the certificate relates. Although not stated in the regulation, in situations in which a registration lapses and no new application for registration was made, employers and individual trade unions can initiate collective bargaining with each other on a one-to-one basis under section 206 (4) of the Labour Relations Code or they can bargain through a non-registered employers' organization under Section 60.

It is expected that implementation of the transition regulation and the new registration procedures contained in the Code will have a dramatic impact on the bargaining structure in Alberta's unionized construction industry. For trade jurisdictions for which registration certificates apply there will be:

- (1) trade-by-trade province-wide negotiations;
- (2) Grouping of trade unions for purposes of strike and lockout; and
- (3) Arbitration for those trades that remain unsettled after three quarters have settled.

For further information about construction registration or the Construction Industry Transition Regulation, contact Ian Hooper at the Alberta Labour Relations Board, 427-8547. An information bulletin is available on the transition regulation.



Since its inception in December of 1984, CIACA has had a significant impact on the construction sector of Alberta's economy. The council can take credit for several achievements, especially in such activities as providing forecast information to the industry, improving labour-management communications and advising government policy makers. Both innovative and positive in its approach, CIACA has become an excellent model for other industries to emulate.

During the past year, in particular, CIACA has made a considerable contribution to the content of the Construction Industry Transitional Regulation. The creation of this regulation resulted, for the most part, from discussions within CIACA with the assistance of the chairman of the Labour Relations Board and serves as an outstanding example of the council's valuable function.

I would like to take this opportunity to wish council members and all those associated with Alberta's construction industry a happy and prosperous new year. I look forward to continued good working relations with CIACA in 1989.

Rick Orman,
Minister of Labour

Renewed prosperity in ACA forecast for year ahead

The 1989 forecast of the Alberta Construction Association credits several economic factors as leading to the promise of renewed prosperity for the Alberta construction industry.

The past year was one of the busiest for Alberta contractors, but that is not to say it was the most profitable. Construction volumes were strong in 1988 yet contractors were seldom aware of new business prospects more than a few weeks in advance. This will continue in 1989 for a dollar volume of \$8.055 billion; an increase of 7.7 per cent over 1988.

The forecast is based on the premise that Alberta historically is out of step with central Canada; a slowing there means growth here. Private sector investment will be the major source for construction markets.

Private investment capital is largely local and arises directly or as a spinoff from Alberta firms gearing up for the free trade agreement. Commercial and industrial properties in this province are undervalued compared to other regions so that Alberta is a lucrative market for the diversion of investment capital away from central Canada. A third source is the spillover of Pacific Rim investment dollars entering B.C.

Government Policy

Reduced petroleum taxation revenues and a commitment to balance the budget by 1991 will subdue provincial capital works investment. Fiscal responsibility is enticing new investment; private capital will more than make up for the shortfall in public outlay.

Residential sector

Housing starts are showing signs of weakening. However, net immigration to Alberta and increased occupancy of apartment space in the large cities will continue to drive the new home market. The resale market will continue to be reasonably strong.

Forest industry

Alberta's forestry reserves and potential as a globally competitive pro-

ducer of forest products has drawn the interest of international investors. Government incentive policies have also helped contribute to a rate of building that will push forestry into third place in provincial tax revenues.

The free trade agreement

Under the Canada-U.S. free trade agreement, some local firms foresee an opportunity to serve the entire North American market and are expanding or planning accordingly. Under the agreement foreign investors may view Canada as a route to U.S. markets and Alberta as a base of operations. Some of Alberta's attractions include a relatively stable labour climate; excellent educational facilities; competitive productivity; and the provincial government's awareness of the need to restrain regulatory costs encourage foreign investors. Thus, industrial construction dollar volume is expected to increase 20 per cent in 1989, making it the third most productive year recorded for industrial contractors.

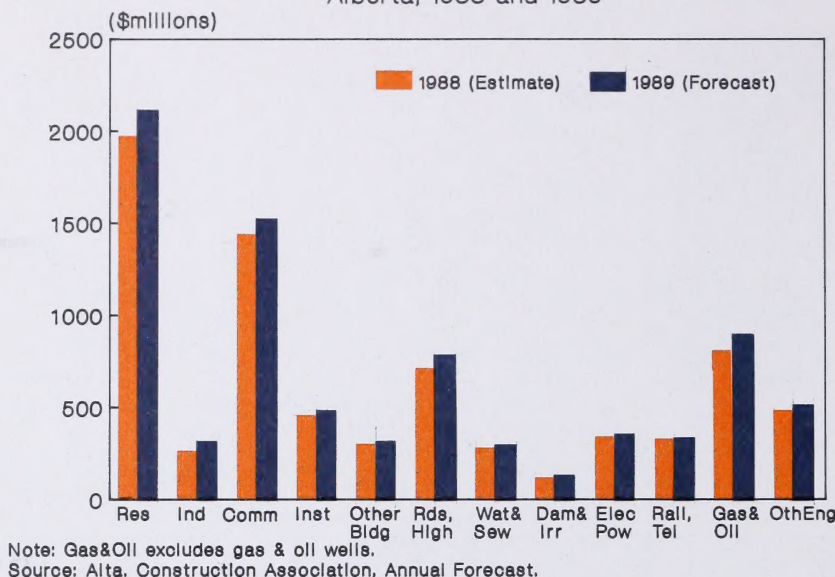
Retail space

West Edmonton Mall put Edmonton on the itinerary of every major tour bus company in North America. As well, the Winter Olympics extravaganza made Calgary an international tourist destination.

Banff, Lake Louise, Jasper, Calgary and Edmonton draw millions of cosmopolitan shoppers, creating a demand for high quality commercial and retail space far in excess of local needs. As the number of shoppers increases, so does demand for more and better retail space, resulting in more competitive prices and services. As consumer traffic increases in response to ever-growing bargains, the cycle continues. This helps explain Alberta's low inflation rate; record-breaking out-of-province visitor statistics; and continued high level of commercial construction both now and throughout the recession.

Local residents are frequenting smaller neighborhood strip malls, creat-

Alberta Construction Association, Forecast of Expenditures Alberta, 1988 and 1989



ing continued demand for quality retail space.

Agriculture

Because of shortages of agriculture products in the drought-stricken regions of the southern prairies, construction and renovation of grain handling facilities have been cut back. Therefore, overall commercial construction will make only a slight gain.

Institutional building

Provincial funds are dependent on petroleum tax and royalty revenues. Low 1988 prices have severely restricted government's cash flow, which will be reflected in 1989 institutional budgets.

Nevertheless, public demand for health care, educational, social and recreation facilities has not lessened. Smaller but more numerous contract tender calls will result, and comparatively more renovation rather than new construction will be undertaken. A marginal increase in dollar volume will occur in 1989. Institutional construction will be curtailed by cash flow restraint for at least a year following a six-month period of above-\$17 world oil prices.

Heavy construction

An ambitious street program in Edmonton with a greater share of new

and maintenance work to be contracted out; a need for more serviced land in Alberta; and new pulp mill sites infrastructure will provide work for the road and building sector. Alberta Transportation will improve secondary roads and continue work on the Yellowhead Highway twinning.

The city of Edmonton plans \$46 million in private sector contracts related to streets, roadways, utilities and park systems.

Underground works

Waterworks and sewer construction will gain slightly over 1988. Without rehabilitation work in the near future, breakdowns within the system will create serious problems. There is pressure on the federal government to enter into a partnership with the provinces and municipalities for financing infrastructure repairs.

Water projects

Work at the Oldman River dam is expected to peak in 1989. Alberta Environment's 15-year irrigation program in southern Alberta and a new irrigation project on the Blood Indian Reserve near Lethbridge will enhance prospects in the dams and irrigation sector.

The dollar value of work in

electric power, railway, telephone and telegraph construction sectors will lose to inflation.

Oil price prospects

The Alberta Construction Industry has maintained for years that an oil shortage will occur in the mid-1990s. This is supported by media predictions that world-wide demand for oil could push OPEC countries to full capacity and prices above \$30 US a barrel in the 1990s.

Alberta's petroleum companies have been laying the foundation for production facilities to take advantage of the next sellers' market. Since 1980, the construction of gas and oil facilities has not slowed, although without mega projects, it may seem to have. Values for construction of these facilities have increased at an annual rate well above inflation for the past decade, a trend expected to continue in 1990s.

This forecast has excluded drilling since 1980 because of the volatility of the drilling market and its dependence on oil prices.

The ACA projects continuing strength for gas and oil facilities construction and stronger than normal growth in 1989 and 1990 because of improved gas markets in the U.S.

Miscellaneous work

Tunnelling of Edmonton's LRT system with a connector bridge across the North Saskatchewan River, as well as construction of bridges elsewhere indicate strong growth for miscellaneous engineering construction; volume will be close to \$500 million.

Interest rate policies

Federal Reserve policies in the U.S. and similar central bank policies in Canada will keep interest rates rising in the first half of 1989. Canada's prime rate may reach 14 per cent before gradually descending in the latter half of 1989. The U.S. dollar will strengthen because of improvements in the balance of trade and the nearing of an agreement between

President George Bush and the Democratic Congress for dealing with the U.S. deficit.

The pricing situation

Prospects for stable construction markets look positive. However, contractors have never fully recovered from the price wars of the mid-1980s and retained earnings are still below safe levels.

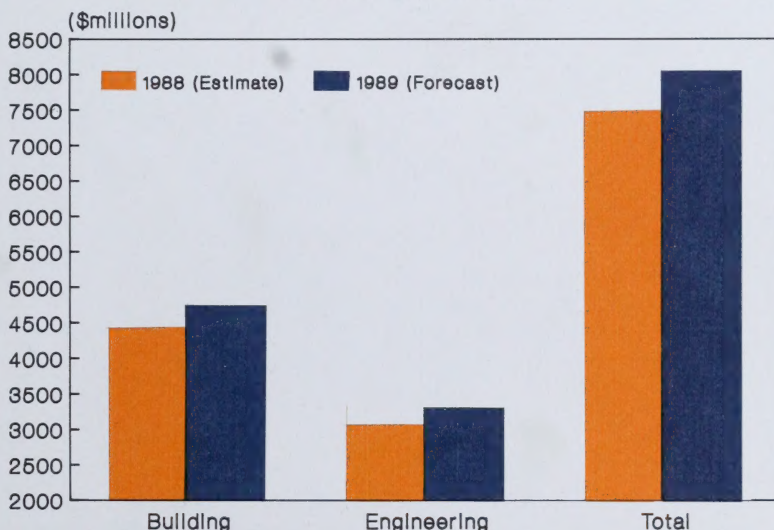
Material and wage increases have been absorbed through more efficient resource use and production techniques. However, now there is a need to raise prices to reflect labour and material cost increases and to cover markups for overhead and profits. The situation is serious because of this industry's sus-

ceptibility to the domino effect: a major firm going under takes supply and sub-specialty firms with it.

Current low construction prices are not market driven. Cost balancing and cost cutting are aberrations brought about by contractors' perception that a job below cost is better than no job at all. In the short term that may be true, but it certainly has dangerous ramifications within an industry that has waged a six-year price war.

This summary was taken from the detailed annual forecast of the Alberta Construction Association. For a copy of the forecast, contact the Alberta Construction Association in Edmonton at 455-1122.

Alberta Construction Association, Forecast of Expenditures
Alberta, 1988 and 1989



Source: Alta. Construction Association, Annual Forecast.

Sector Expectations (\$ millions)

	1988 (estimate)	1989 (forecast)
BUILDING		
Residential	1,971.98	2,110.02
Industrial	260.52	312.62
Commercial	1,436.20	1,522.73
Institutional	452.92	480.10
Other building	303.34	321.54
ENGINEERING		
Marine	27.68	29.34
Roads, highways, runways	710.51	781.56
Waterworks and sewage	280.38	297.20
Dams and irrigation	114.48	128.20
Electric power construction	341.72	351.97
Railway, telephone, telegraph	327.16	333.70
Gas and oil facilities (exc. wells)	800.22	896.25
Other engineering	449.82	490.30
TOTAL	7,476.91	8,055.17

Builders' Lien Act changes for spring session

New legislation on builders' liens, on the agenda for the spring session of the legislature, would bring major changes in contractors' obligations.

The joint government/industry task force on builder's liens released its preliminary report in the fall and is now preparing draft legislation which will amend the current Builders' Lien Act, replacing some sections with new provisions designed to provide greater assurance that suppliers and subcontractors in the construction and energy industries would be paid.

Two of the most important provisions expected to be included in the new legislation are the creation of a registration system for contractors and the establishment of statutory trust funds for money received by a registered contractor.

Registration

Contractors and subcontractors would be required to obtain registration by applying to a licencing agency, posting a fidelity bond and writing an examination to demonstrate their knowledge of financial management and responsibility.

Trust fund obligations

Money paid by an owner to a contractor on the job would be put into a trust fund for payment of subcontractors and suppliers. Once this money is paid, the owner would be issued a standard form receipt and would have no obligations

to the contractors' subcontractors or suppliers.

The money received by the contractor would have to be paid out to subcontractors and suppliers before it could be used by the contractor for any other purpose. It is expected that penalties for contractors illegally diverting money (breach of trust) would include substantial fines and/or a jail term. Breach of trust would also carry the penalty of loss of registration.

Loss of registration would essentially put a contractor out of business, because it would be an offence to do business with an unregistered contractor (contractors --or suppliers-- who would not normally be receiving trust funds would be exempt from registration).

Holdbacks eliminated

The current practice of holdbacks under the Builders' Lien Act would be eliminated. Repeal of the statutory holdback provisions will remove the most complicated and controversial sections of the old Act.

For further information or to obtain a copy of the preliminary report, *Builders' Liens: Towards Greater Assurance of Payment*, contact Harris Wineberg, Counsel, Department of the Attorney General, 9833 - 109 Street, Edmonton T5K 2E8 (403) 427-5113.

ACCESS TO CONSTRUCTION FORECASTS

The following agencies offer construction forecast service subscriptions. For rates and details, contact the agencies directly.

Canadata

1450 Don Mills Road, Don Mills, Ontario M3B 2X7 (416) 445-6641

The Dalcour Group

1100, 10080 Jasper Avenue
Edmonton, Alberta T5J 1V9

Informetrica

P.O. Box 828, Station B, Ottawa, Ontario K1P 5P9 (613) 238-4831

Current holdings of forecast publications which include Alberta construction forecasts, available for loan or reference

from the Alberta Labour Library Services Branch, include the following:

Alberta Construction Association, Annual Forecast (the 1989 forecast is now available);

Bank of Nova Scotia, Global Economic Outlook (annual);

Conference Board of Canada, Quarterly Provincial Forecast

Electrical Utility Planning Council, Alberta Energy and Demand Forecast (annual); and

Royal Bank of Canada, Econoscope (monthly).

To contact the Library Services Branch, use the RITE line (toll-free) or in Edmonton call **427-8533**.

The *CIACA Construction Bulletin* is published three times a year by the Construction Industry Advisory Council of Alberta. It is intended to inform the construction industry about the activities of the council, and to disseminate economic forecast information pertinent to the Alberta construction industry.

The *Bulletin* is directed by an editorial board chaired by Co J. Vanderlaan.

The editorial board is made up of the following, representing:

Labour	Jim Aitcheson
	Co J. Vanderlaan
Management	Merv Ellis
	Neil Tidsbury

Owners	Mike Halpen
Government	Janet E. Howell
	R.G. (Bob) Nicoll

The editor is Maryhelen Vicars.

Distribution is through members of the Construction Industry Advisory Council of Alberta. Comments, requests for copies or other correspondence should be directed to council members or to Alberta Labour, 10th Floor, 10808 99 Ave., Edmonton, Alberta T5K 0G2, 427-7494.

The chairman of the Construction Industry Advisory Council of Alberta is Phil Walker, P.Eng.

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